

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7340

BILL NUMBER: SB 396

NOTE PREPARED: Jan 4, 2011

BILL AMENDED:

SUBJECT: Peer Review of Accountants and Accounting Firms.

FIRST AUTHOR: Sen. Yoder

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Terminology Change:* The bill changes the phrase "quality review" to "peer review" for purposes of the laws governing public accountancy beginning July 1, 2012.

Use of Peer Reviews: The bill permits a peer review rating of fail to be used in disciplining a certified public accountant or public accounting firm after June 30, 2012. The bill indicates that a law requiring the State Accountancy Board to initiate a complaint with the Office of the Attorney General (AG) to discipline a licensee does not prohibit the Accountancy Board from taking other actions permitted by law.

Client Records: The bill specifies that certain client records must be returned to a client within 45 days after a request for the records is made.

Civil Immunity: The bill provides civil immunity to a person engaged in a quality review or peer review or administering a quality review or peer review program.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Use of Peer Reviews:* The impact of this provision would depend on the number of failing "peer reviews" reported to the AG. If the provision requires more business meetings of the Accountancy Board to decide further disciplinary matters, board members could receive additional per diem and traveling expenses.

With respect to the AG, the bill does not provide an appropriation, therefore any additional peer review complaints the AG investigated and/or prosecuted would have to be accomplished within existing resources.

Client Records: Accountants not following the requirements of this provision, if reported, could be disciplined by the Accountancy Board. The Accountancy Board may suspend, revoke, reprimand, or place on probation an accountant's license. The impact of this provision would depend on the number of complaints received and Board action.

Background: The six-member Accountancy Board was scheduled to meet nine times during CY 2010.

Explanation of State Revenues: *Use of Peer Reviews:* State revenue generated by licensing fees of accountants may decline if fewer accountants or accountancy firms were allowed to be issued or renew their licenses. Any reduction in fee revenue would depend on Accountancy Board and AG action. All revenue from licensing fees for accountants is placed in the state General Fund.

Client Records: Accountants not following this provision could have civil penalties imposed by the Accountancy Board. Any civil penalties imposed could not be more than \$1,000 per violation.

Background: The fee structure for accountants is on a three-year-cycle. Revenue collected from accountant licensing fees totaled \$84,923 in FY 2008, \$672,277 in FY 2009, and \$263,910 in FY 2010. As of September 15, 2010, there were 10,699 certified public accountants, 79 public accountants, 1,119 accountancy firms, and 321 accountancy professional corporations licensed by the Professional Licensing Agency.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: AG; Professional Licensing Agency (Accountancy Board).

Local Agencies Affected:

Information Sources: Professional Licensing Agency, active licenses count 9/15/2010; State Budget Agency, Auditor's database.

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